

**Before the
Federal Communications Commission
Washington, D.C. 20554**

In the Matter of	}	
	}	
Request for Initiation of Proceeding Into	}	RM-10613
Character of World Com, Inc. and Other	}	
Commission Licensees	}	

January 31, 2003

To: The Commission

Essential Information is a nonprofit, tax-exempt organization. Essential Information is involved in a variety of projects to encourage citizens to become active and engaged in their communities. We provide provocative information to the public on important topics neglected by the mass media and policymakers. Essential Information publishes a monthly magazine, books and reports, sponsors investigative journalism conferences, provides writers and dynamic citizen activists with grants to pursue investigations and particular projects and operates clearinghouses which disseminate information to grassroots organizations in the United States and the Third World. Essential Information is based in Washington, D.C.

Essential Information has reviewed the December 13, 2002, petition filed by the United Church of Christ requesting the Federal Communications Commission initiate a Rulemaking on standards of conduct for telecommunications providers. Essential believes that the Federal Communications Commission should institute a Rulemaking on standards of conduct or “corporate character”.

Background

The conditions of our political and economic system ensure that many of the key decisions that affect our lives are made not through the democratic process but in the private suites, here and abroad, of major business corporations.

Decisions about how our natural resources will be used. About the kind and price of products and services. About how much toxic pollution will be released into the air, water and soil. About whether jobs will be created, taken away, or moved to other countries. About whether conditions in workplaces will be safe. About compensation levels for top executives as well as entry-level workers. About whether women and minorities will receive truly equal opportunities to succeed in the corporate structure. About which political parties, groups and candidates will have enough money to saturate the airwaves prior to elections and key legislative votes. About what technologies will be developed that fundamentally affect the natural world. About the shape of our urban skylines and the way crops are grown on our soil.

Many of these decisions are constrained by market forces and addressed by state and federal statutes and regulations. But market factors do not work where, as is often the case, various dimensions of competition are minimized and consumer access to information is weak. Moreover, due to corporate lobbying and the competition among states for corporate business, the laws governing corporate conduct often set low standards; corporate executives have plenty of leeway within the legal strictures.

The influence on corporate decision-making by shareholders -- let alone by employees, consumers, affected small businesses and surrounding communities -- is pathetically weak because our system of regulating corporate governance is a failure. Rules for corporate control have been left to the individual states, and the result is well known: A "race to the bottom," in which states compete to offer the package of rules most attractive to the corporate managers who choose the state of incorporation. These managers, not surprisingly, like states whose rules favor management over shareholders. Because Delaware law has traditionally been the most pro-management, it gets the most business. About half of the Fortune 500 are incorporated in the tiny state. Delaware corporations, and those incorporated in other would-be Delawares, are often marked by a board of directors that is an unquestioning tool of management, rather than a genuine reflection of

the will of the shareholder-owners. Shareholders rarely attend annual meetings, and directors are chosen by written proxy contests dominated by management.

Weak legal provisions and an imbalance of power between corporate management and shareholders are one thing, but what is worse is that even the relatively low standards set by the law -- limits on corporate misconduct like fraud, toxic dumping, indifference to hazardous work conditions, and marketing of dangerous products -- are often flouted. The evidence is stronger than ever that business wrongdoing inflicts far more violence and damage on society than all street crimes combined.

We don't know the precise magnitude of corporate crime due to the curious absence of Justice Department data on such lawlessness, but there is reason to believe it is enormous. The FBI estimates that burglary and robbery cost our nation approximately \$4 billion. Health care fraud alone, cost the nation at least \$100 billion dollars a year.

In the "Ill-Wind" defense procurement scandal in the 1990s, thirteen major defense contractors were convicted for fraudulent conduct. Collusion among contractors ensured that the Government was deprived of its right to procure items based on competitive bidding. A 1994 study by the nonprofit Project on Government Oversight found that a "three strikes and you're out" rule applied to corporate fraud would have put out of the government contracting business a who's-who of defense firms.

This so-called white-collar crime is often concealed -- known only to the corporate violators and, sometimes, their high-priced legal counselors. Washington attorney Robert Bennett, a top white-collar practitioner, has said that "90 percent of what I work on never sees the light of day -- and that should be true of any good white-collar crime defense attorney."

Corporate environmental crimes are also widespread. Exxon, International Paper, United Technologies, Weyerhaeuser, Pillsbury, Ashland Oil, Texaco, Nabisco and Ralston-Purina have all been convicted in recent years.

Against the backdrop of these factors -- immense power and influence by the major corporations and weak controls by shareholders, labor and other constituencies, a disastrous race to the bottom in state corporate chartering, and an epidemic of corporate misconduct -- we propose that the Federal Communications Commission focus its Rulemaking on developing detailed standards of corporate conduct or corporate character. The contours of these standards should broadly examine the conduct of corporations.

Conclusion

At a minimum any corporate entity regulated by or doing business with the Federal Communications Commission should have good corporate character. A corporate entity that through its action or inaction evidences an absence of ethics or virtue, or tendency to habitually engage in activities which are detrimental to the public health, safety, or welfare including, but not limited to: patterns of misconduct, disregard for the law or government regulations designed to protect the public, failure to prevent deceptive practices, the abdication of responsibility, disregard for government reporting requirements, involvement in lawbreaking in any area of activity, lack of candor and forthrightness with governmental agencies, criminal activity, or patterns of regulatory violations should result in the corporate entity being sanctioned by the Federal Communications Commission.

Any conduct should be probative of character which illuminates the likelihood of prospective conduct and probable performance, including whether any misconduct is an isolated incident or reflects a pattern of misbehavior.

The Federal Communications Commission should require submission of proof of good character for any corporate entity regulated by or doing business with the Federal Communications Commission.

Respectfully submitted,

Essential Information
P.O. Box 19405
Washington, DC 20036
<http://www.essential.org>